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Cambodia: The situation is still quiet in the capital and other areas of the country.

[REDACTED]

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On the foreign affairs front, press reports indicate that the government called in North Vietnamese and Viet Cong representatives for talks yesterday. The Cambodians evidently are endeavoring to place the onus on the Communists for any breakdown in relations.

[REDACTED]

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Both Peking and Moscow are keeping their options open. The tone of Sihanouk's recent pronouncements, as released by one official Chinese news agency, suggests a substantial degree of Chinese inspiration. Peking, unlike Hanoi, however, has not explicitly given public support for Sihanouk's return to power. The Chinese are taking part in the pressure campaign against the Cambodian Government by providing a platform for Sihanouk. At the same time, they apparently hope to maintain their position in Phnom Penh to be able to support and perhaps help arrange an eventual modus vivendi between the Vietnamese Communists and the new Cambodian Government. If this proves impossible, Peking would not hesitate to back Hanoi and Sihanouk in more forceful measures they may be planning.

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The Soviets are clearly unhappy over the prospects for a widened war, as indicated by their failure to acknowledge Sihanouk's most recent statements. They are also concerned that China will be able to exploit the Cambodian situation to its advantage. Moscow, however, apparently intends to remain on the sidelines until the situation clarifies. [REDACTED]

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Thailand-USSR: After several years of intermittent negotiations, Bangkok has announced it will sign a trade agreement with the Soviet Union.

This is Thailand's first official economic agreement with Moscow, although small amounts of trade have been conducted informally between the two countries for years. The trade pact is expected to pave the way for an air agreement that Moscow has been seeking as part of its effort to expand air service in the Far East. Bangkok has blocked such a pact pending conclusion of the trade agreement.

Bangkok's first trade agreement with a Communist country was signed with Bulgaria earlier this month, and negotiations are under way with all East European countries except East Germany and Albania.

The trade agreements are a major step in Bangkok's policy of expanding economic and political relations with the Soviet Union and Eastern Europe. The Thai have for several years fended off Soviet efforts to formalize commercial relations, principally for political considerations. Bangkok's willingness to go ahead with the treaty testifies to the growing acceptance among the leadership of Foreign Minister Thanat's campaign to improve Thailand's relations with the Communist world.

These agreements are not expected to lead to a sharp increase in Thai trade with the Communists. Thai leaders are hoping for some early economic rewards, however, including wider markets for their agricultural products.

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Japan-US: Japanese textile firms are continuing to resist pressure from their government to limit exports to the US.

The government has been encouraging Japanese firms to accept a new compromise proposal by a top US business leader that calls for one year of comprehensive "voluntary" quotas. These quotas would allow textile exports at a level slightly higher than that actually reached in 1969. Leaders of the Japanese industry have publicly opposed the plan as unreasonable, claiming that the US has not proved that Japanese exports are damaging the US textile industry. There is some evidence, however, that the major Japanese firms are willing to consider the new US proposal, or something like it, but that the smaller firms remain opposed.

The opposition parties, abetted by heavy press play on the subject, have made it into a domestic political issue. The government, anxious to avoid the appearance of selling out Japanese interests, maintains that any agreement must be acceptable to Japanese industry.

The Sato government is clearly concerned that failure to reach a satisfactory agreement soon could damage the government's currently strong domestic position as well as detract from recent achievements in relations with the US. Tokyo will probably continue to push the Japanese textile industry to find some acceptable compromise, while at the same time parrying criticism by insisting publicly that Japanese textile interests are not being sacrificed.

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Communist China - Kenya: Peking is showing new interest in improving its weak political position in Kenya.

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The Chinese have good reason to seek an improvement of their position in Kenya. China's image there has been poor since 1967 when excesses of the Cultural Revolution caused the Nairobi government to close its embassy in Peking. Since that time, China's influence has further deteriorated, largely as a result of numerous anti-Chinese press stories that have played up Peking's alleged "subversive" designs against the present regime. Peking's image suffered an especially severe setback last summer when the embassy failed to fly its flag at half mast following the assassination of Tom Mboya--a move interpreted in the press at the time as a sign of Chinese involvement in the slaying.

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Lebanon: The government faces another severe test as a result of Wednesday's clashes between Lebanese Christians and Palestinian commandos.

The two factions involved in this particular struggle evidently are looking for trouble. The far-right Christian Phalanges Party is becoming more militant. It is the standard-bearer for many Christians who want to maintain Lebanese sovereignty intact in the face of increasing demands from the fed-ayeen for more independence of action within Lebanese territory.

[REDACTED]

[REDACTED] The government therefore will find it difficult to restore order; if it orders the Lebanese Army--whose leaders are antifedayeen--to crack down, profedayeen Muslims will take to the streets. [REDACTED]

[REDACTED]

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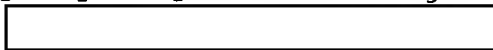
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Honduras: President Lopez apparently has decided not to step down when his term ends next year.

On Wednesday the minister of economy informed the US ambassador that Lopez will continue in office after 1971. This decision, which has the strong support of the military, runs counter to constitutional provisions. Lopez is likely to use the continued tensions with El Salvador as justification for his action.

There is little chance that Lopez' ambitions will be frustrated as long as he retains military support. He is nonetheless trying to preserve some semblance of legality to avoid any unrest that might be aroused by his continuing in office. A constituent assembly will be called, and a "government of national unity" is planned, which would include representatives of business, labor, and the opposition Liberal Party. Although there will be some opposition to the plan, with tactful handling the Liberal Party may be persuaded to go along with Lopez' scheme.



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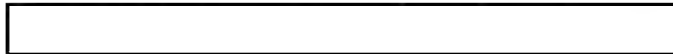
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INTELSAT: The recently recessed conference of the International Telecommunications Satellite Consortium (INTELSAT) made some progress toward agreement on definitive arrangements for the organization.

When the conference opened on 16 February, the US and several European countries were far apart on the key question of how INTELSAT should be managed. The European countries insisted on an immediate decision calling for internationalization of both technical and nontechnical management, while the US wanted the technical management of the organization to stay in the hands of the US Communications Satellite Corporation (COMSAT) for a set period pending further study and a final decision on the management question.

After wrestling with this issue for most of the conference, a compromise was suggested by Japan and Australia. This formula would essentially preserve COMSAT's role for six more years. During the sixth year, an international staff would be trained to assume all management functions. COMSAT could continue to play an important technical role on contract, however.

While this formula greatly narrowed differences on the main issue, when efforts were made to reduce the proposal to treaty language, differences arose not only on language but also on the powers of the conference and its relationship to the other organs of the system. There are, moreover, a number of other issues that remain unresolved. The conference therefore decided to set up a working group that will begin in May to try to produce an acceptable text. The conference itself may reconvene by next September.



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Romania: Party and government chief Ceausescu has unveiled a grandiose program to carry agriculture, long the stepchild of the Romanian economy, into the modern age.

The agricultural sector, the target of severe criticism by the Ceausescu regime, has not made any significant advance during the last three years. At the same time, industry, aided by the preponderant share of investments and by the importation of modern Western equipment, has grown rapidly. Ceausescu has now indicated that an attempt will be made in the 1970s to remedy this disparity.

The new programs stress modern land amelioration techniques--50 percent of the arable land is to be irrigated by 1980--and rapid expansion of livestock holdings. Investments in agriculture during 1971-75 will be more than double the level of the preceding five-year period.

The plans are extremely optimistic and some goals, such as doubling livestock production in a five-year period, appear unrealistic. The costs of these programs will be very high. In addition to direct investments in agriculture and in industry for the production of more agricultural machinery and equipment, Romania will suffer an added hard currency pinch, exports of grain will have to be reduced in order to support the livestock program, and imports of Western farm equipment and technology will have to be expanded.

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Arms Control: The Swedes are pushing the other nonaligned delegates at the Geneva disarmament talks to avoid rapid approval of the US-USSR draft seabeds treaty. Stockholm wants them to join in demanding reference in the draft to "appropriate international procedures" as one method of verifying compliance with the treaty's limitations on military utilization of the ocean floor. Moscow appears to regard such an amendment as opening the way for establishing an international organization to control peaceful uses of the seabeds. Sweden hopes that the nonaligned states, by withholding their endorsement of the treaty, can obtain a modification of the Soviet stand. [REDACTED]

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West Germany: Bonn has announced to the WEU Council that it intends to proceed with the construction of four small submarines for delivery to Greece sometime in mid-1971. As anticipated, Germany argued that authorization for this project had been granted in 1963 by a special amendment to the Brussels Treaty. This exception to the limitations on German submarine construction was originally intended, however, to apply to submarines for the West German Navy. So far there has been no reaction by the Council members to the West German proposal, but the Bonn foreign ministry remains concerned that some members may still raise objections. [REDACTED]

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USSR-Algeria: Algeria is considering cancellation of its 1968 agreement to sell wine to the Soviet Union. The pact, signed after France sharply curtailed its purchases of Algerian wine, called for the USSR to buy about \$40 million worth of wine annually for seven years. The Soviets, however, agreed to pay only the world market price--about one half the recent price paid by the French--and refused to make partial payment in convertible currencies. In October 1969, France promised to buy five million hectoliters of wine from Algeria this year--the amount France had failed to purchase under the 1964-70 wine accord. As yet, however, France has not concluded a long-term wine purchase agreement. [REDACTED]

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Tunisia: The criminal proceedings that have begun against former economic minister Ahmed Ben Salah may further undermine confidence in Prime Minister Ladgham's government. Ben Salah is accused of, among other things, mismanagement of the economy, waste of public funds, exceeding his powers, and abuse of the president's confidence. Many educated Tunisians, although hostile to Ben Salah and his programs, believe that the president, prime minister, and other members of the government are equally responsible and that it is unjust to single out Ben Salah for prosecution. Those young people and intellectuals sympathetic to Ben Salah will consider the trial an attack on socialism. [REDACTED]

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25X1 Dahomey: Balloting in the month-long presidential election is scheduled to end this weekend, and it now appears that Hubert Maga, the country's first president, will win if the vote is completed without interference. With fraud, violence, and tribal frictions that have accompanied the voting increasing, the possibility of military intervention is also growing. Former president Apithy, who led in the early stages of the election, has already declared he will challenge the results through the courts, the electoral commission, and the military government. [REDACTED]

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India: The fall of the government in the northwest state of Punjab on 25 March resulted from internal dissension within the Akali Dal--the party with a plurality in the state legislature as well as the communal party of the Sikhs, the largest ethnic group in the Punjab. Present maneuvering by the resultant two wings of the Akalis with other parties in the legislature could eventually result in the formation of a new, but probably unstable, governing coalition. At present, the leader of each wing claims a majority for his tentative coalition and it will be up to the governor, an appointee of New Delhi, to determine which faction is to be given the opportunity to form a new government. Failure of either side to come up with a viable regime within a reasonable period of time could lead to direct rule by the central government and eventual elections. [REDACTED]

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